

**Audit Committee
Meeting Minutes
March 23, 2005**

**Council Conference Room, Second Floor, City Hall
3939 North Drinkwater Boulevard
Scottsdale, AZ 85251**

Members Present: Chairman Lane
Committee Member Ecton
Committee Member Littlefield joined the meeting at 3:25 p.m.

City Staff Present: Cheryl Barcala, City Auditor
Lisa Blyler, Assistant to the Mayor and Council
Neal Shearer, Assistant City Manager
Gail Crawford, Internal Auditor

The meeting was called to order at 3:15 p.m. by Chairman Lane.

Minutes of the January 20, 2005, Audit Committee Meeting were approved by a vote of 2/0 with a stipulation to clarify Item 1, paragraph 2, regarding Craig Clifford's efforts to separate the Loss Prevention and Safety Programs for budget tracking. Ms. Barcala stated that she recalled that Mr. Clifford was going to pull together a synopsis of costs and put that into the annual report but was not going to track them separately. Chairman Lane asked that this information be checked. Committee Member Littlefield was not yet present.

General Business:

Item 1 – The Medical Leave and Conversion Audit has been completed and has been given to management for comment. The anticipated due date for responses is April 1. Neal Shearer indicated that most of the issues have been completed. Chairman Lane asked that the issues be resolved within the timeframe and, if needed, further discussions could take place.

There are four parts to the Asset Management Audit. The Fleet Asset and Real Property Asset Audits were delivered to management with an expected response due on April 11. The Computer Asset Audit has been given to management with an expected response due on April 17. The Tangible Asset Audit has been given to management with an expected response due on April 21.

Item 2 – Discussion on Attachment 1 (Proposed Audit Plan for Calendar 2005). Ms. Barcala requested discussion on the timing and scope of the WestWorld Audit and how to move it into the priority of the projects that the Office does. Ms. Barcala presented a handout indicating audits for the next quarter; however, the list does not include WestWorld. The Committee felt that Ms. Barcala should have the latitude to complete

the audits on the Audit Plan in any order she felt necessary. It was decided to perform the three revenue/fee audits and then add WestWorld to the Audit Plan. When WestWorld is audited, it is to include the area that is on the Master Plan, which is the concern of the Council.

Mr. Shearer raised the concern that the audit on COBRA payments for this quarter would be extremely difficult for staff and requested that it be moved to the next quarter. The Committee decided that this accommodation could be made and the audit would be moved to July 1.

Ms. Barcala will be sending letters of initiation for the three audits and will then work on WestWorld. The Committee indicated that Ms. Barcala would not have to come back to the Committee before starting other audits.

Item 3 – Ms. Barcala discussed changing the wording of the Ordinance regarding retaining audit reports as permanent records. Ms. Barcala suggested the proposed language include looking at reports annually, keeping them for seven years, and, prior to destruction, reviewing them with the City Attorney for legal issues and the City Clerk for historical purposes. Reviewing the reports with the City Clerk would move them from permanent records to historical records and allow destruction of those reports that no longer have value. The Committee agreed that Ms. Barcala should draft the new Ordinance language.

Item 4 – Ms. Barcala handed out the final language for the Ordinance change on allowing additional time for agency responses to audit recommendations. The new language allows for a 15-day extension by the City Auditor, a 30-day extension by the Audit Committee, and any additional extensions to be approved by the Council. The Committee approved the Ordinance and would like it brought to Council for adoption.

Ms. Barcala asked that instead of bringing two separate items to Council, she would like to complete the Ordinance on permanent records for the Committees approval and then submit both for Council action. The Committee agreed.

Item 5 – Ms. Barcala gave an update on the City Auditor staffing and budget. The Office is under budget by \$23,356 due to staffing - one open position.

Ms. Barcala stated that interviews were conducted for the one open position. None of the candidates had performance auditing experience. Ms. Barcala has talked with HR and will open the position again. A second position will be vacant the end of April and has gone to the Vacancy Committee. Mr. Shearer stated that the second position had been approved.

Item 6 – Discussion on Performance Measures for the Office. Of importance is continuing education for staff. Ms. Barcala's concern was what Performance Measures the Committee would like to see inserted in the budget document. The Committee would like the two Outputs to remain the same in the budget document. However,

Outcomes will be changed to: percent of audits completed according to schedule approved by the Audit Committee and number of continuing education hours per audit staff. The percent of audits completed will need to be developed, however.

Ms. Barcala will format goals and measures for Office policy and provide it to the Committee and put it on the agenda for a future meeting.

Public Comments – None.

Committee Comments – Committee Member Ecton would like a list of all completed audits for the last 3 or 4 years. Ms. Barcala stated that she would provide that to the Committee.

Committee Member Ecton would like a list of all the items that Ms. Barcala thinks would be appropriate to be audited. Ms. Barcala stated that she would put together a list and provide it to the Committee.

Council Member Littlefield asked for clarification on the Neighborhood Enhancement Partnership Audit and if this involved CDBG. Ms. Barcala indicated that it did not.

Chairman Lane asked for a status on the PD Property Room Audit recommendations. Ms. Barcala stated that she had an upcoming meeting with PD staff and would put this on the agenda for discussion at a future meeting.

Chairman Lane asked about authorization of outside legal contracts. Ms. Barcala provided information on the Procurement Code. Chairman Lane asked if an audit had ever been done on legal contracts. Ms. Barcala stated that one had been done three City Attorney's ago.

With no further business to discuss, the public meeting of the Audit Committee was adjourned at 4:50 p.m.

Respectfully submitted,

Gail Crawford